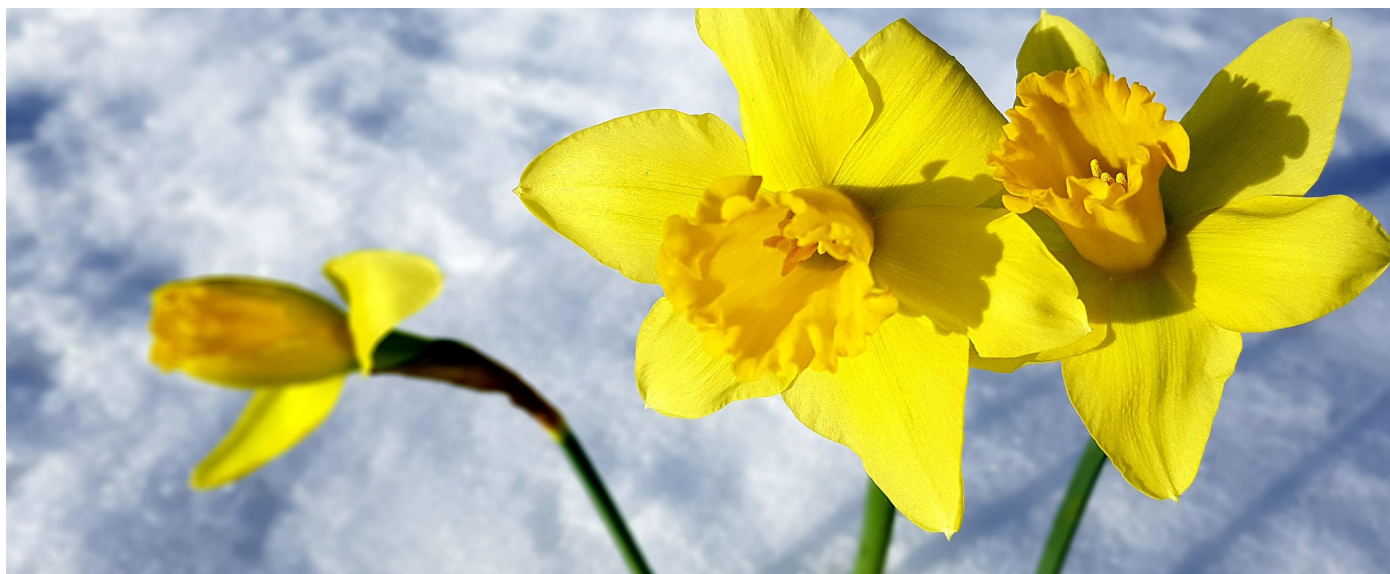


# Cold spring weather causes prices to soar

Even though the war in Ukraine continues to set the tone in the European energy markets, the cold spring weather has also played a part in the past week.



## Here and now

The Nordic energy market has experienced rising prices for the second week in a row, with both spot prices and forward prices climbing. A high risk premium is still being priced in across the markets, and further uncertainty relating to European gas supplies from Russia has been crucial to the price climbs. Falling temperatures also contributed to the uptrend in the Nordic region, and spot prices continued to climb at the start of this week. In the forward market, the Q2-22 and 2023 contracts have climbed to EUR 107.75/MWh and EUR 52.75/MWh respectively.

## Delayed snow melting leads to significant new price jump

Prices climbed again in both the spot market and the forward market in the Nordic region last week, and the price climbs can be very much attributed to the cold weather forecasts. At the start of week 13, the average temperature in the Nordic region has dropped to around 3 degrees below the seasonal norm, and the forecasts indicate that the cold weather will continue for the first half of April. The cold spring weather has led to the snow melting in the mountains being delayed, putting further pressure on the hydrological situation. This could become particularly serious in

southern Norway, where water levels in the reservoirs are already lower than normal for the time of year. This means that there are also prospects of climbing prices. We anticipate an average system price of more than EUR 175/MWh for week 13, which would make it the highest level observed this year so far and the second most expensive week ever. In the southern parts of the Nordic region, there is a high chance of prices following the levels in Germany, where the April contract is now trading at a level of around EUR 220/MWh.

## Our recommendation

The very cold weather forecasts could easily result in another price jump in the Nordic energy market in the coming week when we expect spot prices to climb even further. We also believe that climbing prices will be most likely for the distant contracts in the market, but the developments relating to gas supplies to Europe will remain a deciding factor and could lead to sudden fluctuations.

Forward	Wk 12 (EUR/MWh)	Wk 13 (EUR/MWh)	Expectation (wk 14)
ENOMMAY-22	82.00	98.50	↗
ENOQ3-22	59.80	70.95	↗
ENOYR-23	50.25	52.75	↗
SYHELYR-23	5.20	3.80	→
SYOSLYR-23	28.50	28.35	→

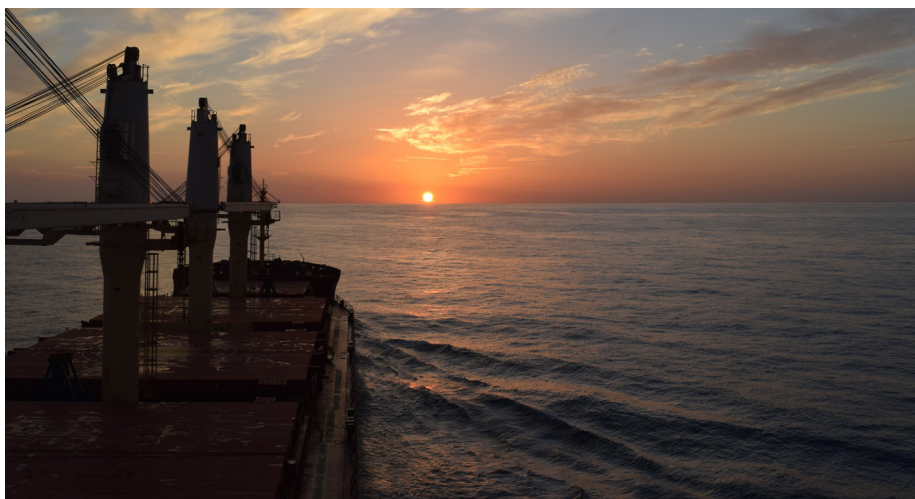
## Carbon market stabilizes following unrest

During the first couple of weeks after war broke out in Ukraine, the European carbon market, like most other markets, experienced extremely significant price fluctuations. However, the market now appears to have stabilised again. During the last two weeks, the market has stabilised at a price level of around EUR 80/t. However, there is rising demand in the market, as electricity producers and industry now need to buy allowances to cover their 2021 carbon emissions by the end of April at the latest. This, combined with the developments in the war, will be crucial to price trends in April.



## Increased gas trade between USA and Europe

In Europe, the work to become independent of Russian gas as quickly as possible continues, and LNG from other parts of the world will ensure that Europeans are able to cover their gas needs in the coming years. Last week, when US President Joe Biden attended summits with both NATO and the EU, he promised to increase US gas deliveries to Europe. The USA will supply an additional 15 billion cubic metres of gas in 2022. However, the question is how far this will go, as Russia supplies no less than 150 billion cubic metres of gas to Europe in the space of a normal year.



## Forecasts

**Precipitation:** The coming weeks look set to offer cold spring weather in Denmark, while both precipitation and wind power production look set to vary significantly from day to day. The hydro-balance is expected to remain at a deficit of around 7 TWh at the start of April.

**Spot:** As mentioned, there are prospects of further price climbs in the spot market over the coming week. The EPADs in the southern price areas could also climb, as prices in Germany also look set to climb at the start of April.

## EPADs

The price of the Finnish 2023 EPAD continued to fall last week. It has now dropped to a price of EUR 3.80/MWh. In Norway, the NO1 EPAD for 2023 experienced a marginal price fall to EUR 28.35/MWh.

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